

Message Text

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PAGE 01 TOKYO 03490 111021Z

ACTION EA-09

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INFO COMUSJAPAN YOKOTA

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E.O. 11652: N/A

TAGS: ELAB, JA

SUBJECT: JAPAN TO ESTABLISH EMPLOYMENT STABILIZATION PROGRAM

REF: 76 TOKYO A-299

SUMMARY: DIET NOW CONSIDERING AND EXPECTED TO ENACT THIS SESSION EMPLOYMENT STABILIZATION PROGRAM WHICH WILL MAKE PERMANENT AND EXPAND ON TEMPORARY EMPLOYMENT INSURANCE PROGRAM ESTABLISHED IN DEC. 1974 TO MINIMIZE LAY-OFFS DURING CURRENT RECESSION. PROGRAM IS AIMED AT PRESERVING JAPANESE LIFETIME EMPLOYMENT PEGETEM BY SUBSIDIZING RETRAINING PROGRAM FOR WORKERS IN FIRMS IN DECLINING INDUSTRIES OR IN FINANCIAL DIFFICULTY BECAUSE OF BUSINESS SLUMPS TO ENABLE FIRMS TO SHIFT THEM MORE EFFICIENTLY TO NEW JOBS. PROGRAM WILL BE FUNDED BY EMPLOYER AND WORKER CONTRIBUTIONS, POSSIBLY SUPPLEMENTED BY GOJ CONTRIBUTION DRAWN EITHER FROM WORKMEN'S COMPENSATION OR FROM GENERAL REVENUES. PROGRAM SUPPORTED BY ORGANIZED LABOR, WHICH FEARS IMPORTATION OF WESTERN STYLE LAY-OFFS AS JAPAN'S ECONOMY ENTERS LOW GROWTH ERA AND BY MANAGEMENT COMMUNITY WHICH PREFERS, IF IT CAN AFFORD IT, TO KEEP LAID OFF WORKERS ON PAYROLL EVEN DURING RECESSION RATHER THAN RECRUIT NEW WORKERS AS BUSINESS CONDITIONS IMPROVE. END SUMMARY.

UNCLASSIFIED

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PAGE 02 TOKYO 03490 111021Z

1. GOJ'S JFY-77 BUDGET REQUEST, NOW BEING DEBATED IN DIET, CONTAINS ONE IMPORTANT NEW PIECE OF LABOR LEGISLATION--ESTABLISHMENT OF EMPLOYMENT STABILIZATION PROGRAM. DEPARTING FROM TRADITIONAL JAPANESE VOCATIONAL TRAINING EFFORTS, LEGISLATION AIMS AT PROVIDING NEW SKILLS TO WORKERS IN FIRMS HIT BY RECESSION. PROGRAM IS AIMED AT PARTICULAR GROUP, OLD AND MIDDLE-AGED

WORKERS, WHO ARE ALREADY EMPLOYED. WITH NEW SKILLS, WOSRS IN AFFECTED FIRMS COULD EITHER BE PLACED IN DIFFERENT JOBS OR VOLUNTARILY SEEK JOBS WITH OTHER FIRMS. AS A RESULT, NEW PROGRAM WOULD HELP PREVENT UNEMPLOYMENT BEFORE IT OCCURS AND AT SAME TIME ENABLE BUSINESSES TO IMPROVE THEIR COMPETITIVE POSITION BY CUTTING LABOR COSTS.

2. NEW PROGRAM WILL BE OPERATED IN COORDINATION WITH EMPLOYMENT INSURANCE ACCOUNT ESTABLISHED IN 1975. THAT SCHEME SUPPLIES PAYROLL SUBSIDIES TO FIRMS IN DESIGNATED HARD-HIT SECTORS, THUS FORESTALLING LAY-OFFS. (SEE ANNUAL LABOR REPORT, TOKYO'S A-299 OF AUGUST 26, 1976 FOR DESCRIPTION.) EMPLOYMENT STABILIZATION PROGRAM WILL SUPPLEMENT THAT PROGRAM BY FACILITATING TRANSFER OF WORKERS PROBABLY FACING UNEMPLOYMENT IN SAME DESIGNATED HARD-HIT SECTORS TO JOBS IN NON-DEPRESSED AREAS.

3. EMPLOYMENT STABILIZATION PROGRAM AND EMPLOYMENT INSURANCE ACCOUNT WILL DRAW FROM SAME SOURCE, CONTRI-

BUTIONS BY PARTICIPATING FIRMS (0.85 PERCENT OF PAYROLL) AND EMPLOYEES (0.5 PERCENT OF SALARY). EMPLOYMENT INSURANCE PROGRAM IS PRESENTLY BEING FINANCED BY EMPLOYER CONTRIBUTIONS OF 0.8 PERCENT AND WORKER CONTRIBUTIONS OF 0.5 PERCENT. ESTABLISHMENT OF STABILIZATION FUND, WHICH ACCOMPANIED ONLY BY INCREASE OF 0.05 PERCENT IN EMPLOYER CONTRIBUTION, MEANS STABILIZATION PROGRAM WILL HAVE TO USE MONEY ALREADY ACCUMULATED IN INSURANCE ACCOUNT

UNCLASSIFIED

PAGE 03 TOKYO 03490 111021Z

FOR INITIAL DISBURSEMENTS. FUND IS EXPECTED, HOWEVER, TO TAKE IN \$130 MILLION IN FIRST YEAR OF FULL OPERATION AND MVO OPERATE WITH INDEPENDENT FINANCING THEREAFTER.

4. ALTHOUGH MOL CONFIDENT LEGISLATION WILL BE PASSED IN TIME FOR PROGRAM TO COMMENCE OPERATIONS BY OCTOBER 1, 1977, SEVERAL ASPECTS OF ITS IMPLEMENTATION HAVE NOT YET BEEN DECIDED. IN PRINCIPLE, MOL WOULD LIKE PARTICIPATION IN FUND TO BE COMPULSORY FOR ALL FIRMS, INDUSTRIAL AS WELL AS SERVICE, BUT IS UNSURE SYSTEM CAN BE MADE APPLICABLE TO ALL, ESPECIALLY SMALLEST FIRMS, FROM START. PROJECTED SIZE OF TRAINING IN FIRST SIX MONTHS IS 4,200,000 MAN DAYS, AN AMOUNT WHICH INDICATES A MAGNITUDE OF ADDITIONAL TRAINING WHICH PUBLICLY-OPERATED VOC ED INSTITUTIONS ARE TOO SMALL TO HANDLE, AT LEAST INITIALLY. MOL THEREFORE ENVISAGES EXTENSIVE ON-SITE RETRAINING WITHIN PRIVATE ENTERPRISES AND USE OF PRIVATE TRAINING AS SUPPLEMENTS TO REGULAR VOC ED BUT

HAS NOT YET GONE PAST PLANNING STAGE. THESE AND OTHER START-UP PROBLEMS WILL PROBABLY BE SETTLED DURING FUND'S FIRST YEAR.

5. COMMENT: ESTABLISHMENT OF EMPLOYMENT STABILIZATION FUND HAS BEEN ONE OF ORGANIZED LABOR'S FOREMOST DEMANDS. LEADERS OF JAPAN'S TWO LARGE LABOR CENTERS, SOHYO AND DOMEI, HAVE REFERRED TO NEED FOR EMPLOYMENT STABILIZATION MEASURES IN VIRTUALLY EVERY PUBLIC APPEARANCE, AS HAS LABOR MINISTER ISHIDA. LABOR AND ITS POLITICAL ALLIES, JAPAN SOCIALIST PARTY AND DEMOCRATIC SOCIALIST PARTY, ARE NOT EXPECTED TO OPPOSE PASSAGE OF BILL ESTABLISHING FUND, THEIR ONLY OBJECTION, THAT LABOR HAD NO VOICE IN FUND MANAGEMENT, HAVING APPARENTLY BEEN OVERRIDDEN.

6. FUND IS PECULIARLY JAPANESE RESPONSE TO UNEMPLOYMENT PROBLEM: BY FOCUSING SUBSTANTIAL RESOURCES ON UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 03490 111021Z

OLDER, ALREADY WORKING SECTOR, IT WILL ACT AS BOLSTER TO JAPAN'S LIFETIME EMPLOYMENT SYSTEM. JAPAN'S BUSINESS RECESSION, NOW ENTERING ITS THIRD YEAR, HAS MEANT UNEMPLOYMENT AT UNUSUALLY HIGH, FOR JAPAN, LEVEL OF APPROXIMATELY ONE MILLION (APPROXIMATELY 2 PERCENT OF WORK FORCE) OF THESE, ABOUT 200,000 ARE OLDER, "LIFETIME" EMPLOYEES, MOSTLY IN SMALL AND MEDIUM SIZED FIRMS. LAYOFFS IN THIS GROUP ARE VIEWED AS SERIOUS EROSION ON JAPAN'S LIFETIME EMPLOYMENT SYSTEM, A FACTOR WHICH BOTH GOVERNMENT AND LABOR EVIDENTLY FEEL REQUIRES SPECIAL, LARGE-SCALE TREATMENT. FACT THAT OLDER WORKERS ARE CONSIDERED IMPORTANT PART OF LDP GOVERNMENT'S CONSTITUENCY ALSO APPARENTLY CONTRIBUTED TO GOJ'S WILLINGNESS TO IMPLEMENT NEW PROGRAM IN ELECTION YEAR. SHOESMITH

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